

Message Text

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ACTION EUR-12

INFO OCT-01 IO-14 ISO-00 AID-05 CIAE-00 COME-00 EB-08
FRB-01 INR-10 NSAE-00 ICA-20 TRSE-00 XMB-04
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R 121340Z SEP 78
FM AMEMBASSY BERN
TO SECSTATE WASHDC 6881
INFO AMEMBASSY BONN
AMEMBASSY BRUSSELS
USMISSION GENEVA
AMEMBASSY LONDON
AMEMBASSY PARIS
AMEMBASSY ROME
AMCONSUL ZURICH POUCH

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USMTN ALSO FOR MISSION
USOECN ALSO FOR EMBASSY
PASS TREAS & FRB

EO 11652: NA
TAGS: EFIN, SZ
SUBJ: SWISS FINANCIAL REVIEW: WEEK SEPT 4 - 8

1. SUMMARY: DOLLAR FIRMED TOWARD END OF WEEK, BUOYED ACCORDING
TO FINANCIAL PRESS BY AUGUST US WHOLESALE PRICE INDEX, AND
EXPECTATIONS OF FURTHER MEASURES TO SUPPORT DOLLAR. SND
VP SCHUERMANN IN "SPIEGEL" INTERVIEW SAYS NO ADDITIONAL CAPITAL
CONTROL MEASURES CONTEMPLATED. SWISS CPI FLAT AT 1.1 PCT (A.R.)
IN AUGUST, WHOLESALE PRICE INDEX DOWN. END SUMMARY.
2. FOREX & GOLD: DOLLAR FLUCTUATED IN NARROWER MARGINS IN COMPARISON
TO PREVIOUS WEEK, FIRMED IN LATTER PART OF WEEK IN FAVORABLE
REACTION TO US WHOLESALE PRICE DATA, AND ANTICIPATION OF ADMIN-
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ISTRATION ANNOUNCEMENTS OF ADDITIONAL MEASURES TO SUPPORT DOLLAR.
GOLD CLOSED AT 205.25, LOW FOR THE WEEK. RATES FOLLOW:

	9/4 (OPEN)	9/8 (CLOSE)
SPOT DOLLAR	1.6300	1.6270
FORWARD DISCOUNTS		
(PCT PER ANNUM)		

1. MONTH	8.97	8.26
2 MONTHS	8.44	8.30
3 MONTHS	8.27	8.16
6 MONTHS	8.03	7.90
12 MONTHS	7.67	7.56
SF/DM	82.03	81.43
GOLD	212.25	205.25

3. CAPITAL & MONEY MARKETS: AVERAGE YIELD ON CONFEDERATION BONDS WITH AT LEAST FIVE YEARS REMAINING TO MATURITY CLOSED AT 3.27 DOWN FROM PREVIOUS WEEKS 3.29. MARKET REMAINS QUITE LIQUID WHICH CONTINUES TO SHOW FAVORABLE CONSEQUENCES IN DOMESTIC STOCK MARKET: SWISS CREDIT BANK STOCK INDEX UP 2.2 POINTS TO 260.8. 3 MONTHS EUROFRANC RATE: 1/2 PCT; 12 MONTHS: 1 1/8 PCT. MARKET LIQUID DESPITE FALL OF SF 527 MILLION IN CLEARING ACCOUNTS OF BANKS, COMMERCIAL FIRMS AND INDUSTRY WITH SNB DURING FIRST WEEK OF SEPT. EXISTING VOLUME OF THESE ACCOUNTS NOW STANDS AT SF 7.5 BILLION WHICH EQUALS THE JULY LEVEL BUT IS CONSIDERABLY ABOVE LEVEL OF YEAR AGO (SF 6.2 BILLION). MAJOR FACTORS ADDING TO LIQUIDITY WERE A SF 515 MILLION REDUCTION IN FEDERAL GOVERNMENT ACCOUNT HELD AT THE SNB AND THE SF 74 MILLION DROP IN CURRENCY IN CIRCULATION. THE RISE IN STOCK PRICES COMBINED WITH (AND DIRECTLY ATTRIBUTED TO) LIQUID MARKET CONDITIONS AND THE RECENT REDUCTION IN INTEREST RATES FOR CASH BONDS (KASSEN OBLIGATIONEN) (SEE BERN 4428) IS UNCLASSIFIED

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BROADLY CONSIDERED BY THE FINANCIAL PRESS TO POINT TO A SLIGHT REDUCTION IN INTEREST RATES ON DOMESTIC BONDS, PERHAPS TO 3 PCT ON THE FORTHCOMING SF 60 MILLION CITY OF ZURICH ISSUE. SIMILAR TREND ALSO EVIDENT IN FOREIGN BOND SECTOR: COUPON ON SF 80 MILLION, 15 YEAR ISSUE OF BOA REDUCED FROM PLANNED 4 PCT TO 3 3/4 PCT. IN THE INTERNATIONAL BOND SECTOR HOSPITAL CORP. (US) HAS ANNOUNCED A 9 PCT \$ 25 MILLION BOND ISSUE, 5 YEAR MATURITY; PETROLEO BRASILEIRO SA (BRAZILIAN OIL COMPANY) A DM 100 MILLION BOND, 7 PCT INTEREST RATE, 10 YEAR MATURITY AND THE EUROPEAN INVESTMENT BANK A DM 250 MILLION BOND, 6 1/4 PCT INTEREST, 12 YEAR MATURITY.

5. SNB VP SCHUERMANN INTERVIEWED IN "DER SPIEGEL" (9/4). FOLLOWING ARE MAIN POINTS MADE BY SCHUERMANN: NO ADDITIONAL RESTRICTIVE MEASURES ARE PLANNED AGAINST INFLOW OF FOREIGN CAPITAL; THE VARIOUS MEASURES THAT HAVE BEEN DEVELOPED OVER THE YEAR HAVE BEEN AIMED AT REDUCING THE LEGAL DEMAND FOR SF AND HAVE IN GENERAL NOT BEEN UNSUCCESSFUL; IT MAY BE THAT CERTAIN MODALITIES OF THE RESTRICTIONS AGAINST FOREIGN INVESTMENT IN SF SECURITIES COULD BE ALTERED BUT THE RESTRICTIONS THEMSELVES WILL NOT BE REMOVED; THE SNB IS LOOKING

INTO HOW THE HOTEL INDUSTRY MIGHT BE BETTER COVERED THROUGH FORWARD FOREIGN EXCHANGE TRANSACTIONS; WHILE THERE IS CONCERN ABOUT EFFECTS OF SWISS MONETARY EXPANSION, AN ECONOMIC EXPANSION WITH STRONG PRICE PUSH IS CURRENTLY UNLIKELY IN FACE OF THE APPRECIATION OF SF.

5. SWISS CONSUMER PRICE INDEX FOR AUGUST ANNOUNCED THIS WEEK AND AT 1.1 PCT (A.R.) DUPLICATED JULY RATE. SWISS WHOLE SALE PRICE INDEX FELL 0.8 PCT IN AUGUST (3.5 PCT SINCE THE BEGINNING OF THE YEAR), DEVELOPMENTS ATTRIBUTED BY THE CONFEDERATION STATISTICAL OFFICE ALMOST ENTIRELY TO LOWER IMPORT PRICES. WARNER

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